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15 March 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: The Polish Trade Discussions (U.S. Delegation Only)

1. The Polish Delegation had indicated to the American Chairman that they would prefer to carry the informal working group discussions somewhat further before again meeting in plenary session. It is anticipated that the next full meeting of the group may not take place before 18 or 19 March.

2. The Chairman of the American Delegation commenting on the leak to the press, indicated that this leak had apparently not been planned either by the Poles or by the Department of State. Although he thought the press reaction had been highly favorable, he emphasized the extreme urgency of not letting the proposals be tried in the press, in light of the present and immediate future status of the discussions.

3. There were several additional references today to the possibility of the triangular transactions among Americans, Germans, and Poles. Apparently the German Government is ready to guarantee export-import bank loans for German purchases of U.S. agricultural products which will either be reexported to the Poles or consumed in Germany in lieu of German grain exported to Poland. A private German businessman interested in this

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transaction, talked with the Poles last evening and apparently with the leader of the agricultural working group today. He indicated that the Poles had also given their full shopping list to the Germans and they had further indicated to him that the American offer, if too small, would have to be turned down. The Department of State is attempting to determine precisely how far the German Government is willing to go with these proposals.

4. The agricultural working group has worked out all of the technical aspects of the sale of surplus commodities except the precise amount to be delivered and the delivery schedules. The Department of Agriculture appears to be able to furnish, at a maximum, 25 million dollars in U.S. products at U.S. prices, which would mean to the Poles, approximately 22 - 23 million dollars at world prices. Any additional amounts of agricultural commodities would have to come from dollar purchases or the triangular transaction. The Department of Agriculture is seeking amendment of PL-480 to permit additional sales to Poland, but only with congressional recognition and approval. Such approval might make possible additional movements of surplus agricultural commodities by late 1957.

5. The working group dealing with PL-665 (Section 401) indicated that their discussions with the Poles had been carried on in a constructive and reasonable spirit, that the working group was going over the Polish shopping

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list and that the commodities most likely to move quickly in the event of an agreement would be wool and fertilizer as well as artificial fiber plants. They had discussed the usual form taken by U.S. loan-aid programs and the Poles seemed to agree generally with the terms involved. The Polish delegates did, however, express a certain element of unhappiness about having U.S. Government employee technicians supervising or facilitating the program in Poland. The Poles indicated that they would prefer to contract for the services of private U.S. technicians rather than have U.S. Government employees in this part of the program.

6. Mr. Raczowski, when asked which were the highest priority items of Polish interest under the direct loan program, indicated that there were two: (a) coal machinery to increase coal production and thereby improve the balance of payments; and (b) fertilizer and other imports necessary to increase agricultural production.

7. The Chairman of the American Delegation talked briefly to Mr. Shephard Stone who had just returned from Poland. Mr. Stone's story was much the same as the Poles'. He indicated that the Poles would have difficulty being understood in the U.S., that Russian could choose to destroy goods that we put into Poland, but that there was a great deal of hope and trust in the trade mission among the Polish people. Mr. Stone indicated that Ford and Rockefeller and other foundation money to be

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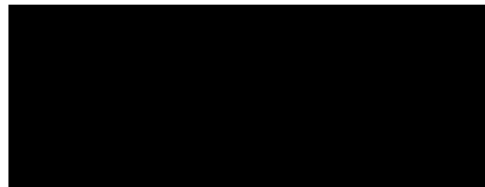
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granted for technicians and other technical aid to Poland will tend to follow whatever lead the U.S. Government takes in these negotiations.

8. A draft position paper on aid to Poland under PL-665 (Section 401) had been prepared in ICA and was circulated in this meeting. A copy of this paper is attached. With reference to the paper, the expression "medium-term credit" means credit of four to six years.

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